

TOWNSHIP OF GANGES  
Allegan County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Ganges	County Allegan
Fiscal Year End June 30, 2008	Opinion Date August 18, 2008	Date Audit Report Submitted to State August 22, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


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12

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1101007803	

TOWNSHIP OF GANGES  
Allegan County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

August 18, 2008

To the Township Board  
Township of Ganges  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Ganges, Allegan County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Ganges's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Ganges, Allegan County, Michigan as of June 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GANGES  
Allegan County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the year ended June 30, 2008

This section of the Township of Ganges' annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

Our financial status remained stable over the last year. Net assets at June 30, 2008, totaled \$1,677,477.35 for governmental activities. Of this total \$842,515.79 represents capital assets net of depreciation. Overall net assets decreased by \$125,076.33 from the prior year.

Overall revenues were \$538,053.76.

We did not incur any new debt during the year and purchased \$273,574.05 in capital assets.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

**ENTITY-WIDE FINANCIAL STATEMENTS**

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General and Special Revenue Funds which are the Roads Fund, Fire Fund, Building Fund, Ambulance Fund and the First Responder Fund.

TOWNSHIP OF GANGES  
Allegan County, Michigan

**CONDENSED FINANCIAL INFORMATION**

For the year ended June 30, 2008

	<u>Total Governmental Activities 2007</u>	<u>Total Governmental Activities 2008</u>
Current Assets	1 162 099	834 961
Capital Assets	<u>640 455</u>	<u>842 516</u>
Total Assets	<u>1 802 554</u>	<u>1 677 477</u>
Current Liabilities	-	-
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Invested in Capital Assets	640 455	842 516
Unrestricted	<u>1 162 099</u>	<u>834 961</u>
Total Net Assets	<u><u>1 802 554</u></u>	<u><u>1 677 477</u></u>

	<u>Total Governmental Activities 2007</u>	<u>Total Governmental Activities 2008</u>
Program Revenues:		
Fees and Charges for Services	51 623	60 931
General Revenues:		
Property Taxes	449 411	246 851
State Revenue Sharing	177 134	176 910
Interest	68 496	46 009
Miscellaneous	<u>9 947</u>	<u>7 352</u>
Total Revenues	<u>756 611</u>	<u>538 053</u>
Program Expenses:		
Legislative	49 927	51 435
General Government	128 502	133 892
Public Safety	218 822	280 630
Public Works	538 533	163 084
Recreation and Culture	540	160
Other	<u>31 073</u>	<u>33 929</u>
Total Expenses	<u>967 397</u>	<u>663 130</u>
Increase (Decrease) in Net Assets	(210 786)	(125 077)
Net Assets, July 1	<u>2 013 340</u>	<u>1 802 554</u>
Net Assets, June 30	<u><u>1 802 554</u></u>	<u><u>1 677 477</u></u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include: General, Roads, Fire, Building, Ambulance and First Responder.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets decreased \$125,076.33 during the year ended June 30, 2008, totaling \$1,677,477.35.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include parks, zoning, legislative, administrative, elections, Township hall and cemeteries. The major source of revenue for the General Fund is from the Township tax base and the revenue sharing from the State of Michigan.

Roads Fund: This fund is used to record revenues and expenses for road construction and maintenance for streets located within the Township. The source of revenue comes from the road millage levied on property taxes.

Fire Fund: This fund is used to record revenues and expenses for maintaining and operating the Fire Department. The major source of revenue comes from the fire protection millage levied on property taxes and donations.

Ambulance Fund: This fund is used to record revenues and expenses for maintaining and operating the First Responder Unit and to provide ambulance service to the Township. The source of revenue comes from the ambulance service millage levied on property taxes.

First Responder Fund: This fund is used to record revenues and expenses for the First Responder Unit. The source of revenue comes from the Ambulance Fund for operating expenses and from donations.

Building Fund: This fund is used to record revenues and expenses to provide services for the building administration. The source of revenue comes from permit and inspection fees.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Township capital assets for this year totaled \$273,574.05.

The Township does not have any long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are currently no plans for the future which will affect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact Cindy Yonkers, Township Clerk, or John Herbert, Township Supervisor, during regular business hours.

TOWNSHIP OF GANGES  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	807 679 56
Accounts receivable	<u>27 282 00</u>
Total Current Assets	<u>834 961 56</u>
NON-CURRENT ASSETS:	
Capital Assets	1 191 532 02
Less: Accumulated Depreciation	<u>(349 016 23)</u>
Total Non-current Assets	<u>842 515 79</u>
TOTAL ASSETS	<u><u>1 677 477 35</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	842 515 79
Unrestricted	<u>834 961 56</u>
Total Net Assets	<u>1 677 477 35</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 677 477 35</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GANGES  
Allegan County, Michigan

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
Year ended June 30, 2008

		<u>Program Revenue</u>	<u>Governmental Activities</u>
			Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	Revenue and Changes in Net Assets
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	51 435 36	-	(51 435 36)
General government	133 892 37	12 167 50	(121 724 87)
Public safety	280 629 57	48 764 00	(231 865 57)
Public works	163 084 29	-	(163 084 29)
Culture and recreation	159 38	-	(159 38)
Other	<u>33 929 12</u>	<u>-</u>	<u>(33 929 12)</u>
Total Governmental Activities	<u>663 130 09</u>	<u>60 931 50</u>	<u>(602 198 59)</u>
General Revenues:			
Property taxes			246 850 76
State revenue sharing			176 910 30
Interest			46 009 49
Miscellaneous			<u>7 351 71</u>
Total General Revenues			<u>477 122 26</u>
Change in net assets			(125 076 33)
Net assets, beginning of year			<u>1 802 553 68</u>
Net Assets, End of Year			<u>1 677 477 35</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2008

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Other Funds</u>
<b><u>Assets</u></b>				
Cash in bank	456 548 36	128 118 59	76 373 14	144 915 73
Accounts receivable	27 282 00	-	-	-
Due from other funds	<u>1 723 74</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>485 554 10</u></u>	<u><u>128 118 59</u></u>	<u><u>76 373 14</u></u>	<u><u>144 915 73</u></u>
<b><u>Liabilities and Fund Equity</u></b>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>485 554 10</u>	<u>128 118 59</u>	<u>76 373 14</u>	<u>144 915 73</u>
Total fund equity	<u><u>485 554 10</u></u>	<u><u>128 118 59</u></u>	<u><u>76 373 14</u></u>	<u><u>144 915 73</u></u>
Total Liabilities and Fund Equity	<u><u>485 554 10</u></u>	<u><u>128 118 59</u></u>	<u><u>76 373 14</u></u>	<u><u>144 915 73</u></u>

The accompanying notes are an integral part of these financial statements.

Total

805 955 82

27 282 00

1 723 74

834 961 56

-

-

834 961 56

834 961 56

834 961 56

TOWNSHIP OF GANGES  
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 834 961 56

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	1 191 532 02
Accumulated depreciation	<u>(349 016 23)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 677 477 35</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended June 30, 2008

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Other Funds</u>
Revenues:				
Property taxes	86 781 40	-	114 347 37	45 721 99
Licenses and permits	9 730 00	-	-	39 034 00
State revenue sharing	176 910 30	-	-	-
Charges for services	12 167 50	-	-	-
Interest	31 633 44	6 751 50	2 490 33	5 134 22
Miscellaneous	<u>3 349 72</u>	<u>-</u>	<u>3 911 99</u>	<u>90 00</u>
Total revenues	<u>320 572 36</u>	<u>6 751 50</u>	<u>120 749 69</u>	<u>89 980 21</u>
Expenditures:				
Legislative:				
Township Board	51 435 36	-	-	-
General government:				
Supervisor	18 321 64	-	-	-
Elections	2 547 10	-	-	-
Assessor	25 590 00	-	-	-
Clerk	27 106 58	-	-	-
Board of Review	2 224 44	-	-	-
Treasurer	23 960 76	-	-	-
Building and grounds	10 138 17	-	-	-
Cemetery	17 411 27	-	-	-
Public safety:				
Ambulance	-	-	-	10 611 84
First Responder	-	-	-	35 640 15
Fire	-	-	84 555 76	-
Protective inspection	3 365 00	-	-	31 425 60
Planning and zoning	50 150 79	-	-	-
Public works:				
Highways and streets	393 05	160 577 01	-	-
Sanitation	2 114 23	-	-	-
Culture and recreation:				
Parks	119 38	-	-	-
Other:				
Insurance	26 377 00	-	-	-
Payroll taxes	7 552 12	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>268 700 00</u>	<u>4 874 05</u>
Total expenditures	<u>268 806 89</u>	<u>160 577 01</u>	<u>353 255 76</u>	<u>82 551 64</u>
Excess (deficiency) of revenues over expenditures	<u>51 765 47</u>	<u>(153 825 51)</u>	<u>(232 506 07)</u>	<u>7 428 57</u>
Other financing sources (uses):				
Operating transfers in	14 000 00	-	68 500 00	60 000 00
Operating transfers out	<u>(68 500 00)</u>	<u>-</u>	<u>-</u>	<u>(74 000 00)</u>
Total other financing sources (uses)	<u>(54 500 00)</u>	<u>-</u>	<u>68 500 00</u>	<u>(14 000 00)</u>

The accompanying notes are an integral part of these financial statements.

Total

246 850 76

48 764 00

176 910 30

12 167 50

46 009 49

7 351 71

538 053 76

51 435 36

18 321 64

2 547 10

25 590 00

27 106 58

2 224 44

23 960 76

10 138 17

17 411 27

10 611 84

35 640 15

84 555 76

34 790 60

50 150 79

160 970 06

2 114 23

119 38

26 377 00

7 552 12

273 574 05

865 191 30

(327 137 54)

142 500 00

(142 500 00)

TOWNSHIP OF GANGES  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS  
Year ended June 30, 2008

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Other Funds</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2 734 53)	(153 825 51)	(164 006 07)	(6 571 43)
Fund balances, July 1	<u>488 288 63</u>	<u>281 944 10</u>	<u>240 379 21</u>	<u>151 487 16</u>
Fund Balances, June 30	<u><u>485 554 10</u></u>	<u><u>128 118 59</u></u>	<u><u>76 373 14</u></u>	<u><u>144 915 73</u></u>

The accompanying notes are an integral part of these financial statements.

Total

(327 137 54)

1 162 099 10

834 961 56



TOWNSHIP OF GANGES  
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (327 137 54)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(71 512 84)
Capital Outlay	<u>273 574 05</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (125 076 33)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Ganges, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ganges. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was 1.5690 mills, and the taxable value was \$155,384,090.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	25 years
Buildings and improvements	15-35 years
Equipment and vehicles	5-25 years

TOWNSHIP OF GANGES  
Allegan County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Compensated Absences (Vacation and Sick Leave)**

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Encumbrances**

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 3 – Deposits and Investments (continued)**

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>807 679 56</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>739 976 54</u>
Total Deposits	<u>839 976 54</u>

The Township of Ganges did not have any investments as of June 30, 2008.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Land and improvements	15 604 28	-	-	15 604 28
Buildings and improvements	209 916 47	-	-	209 916 47
Equipment and vehicles	<u>724 437 22</u>	<u>273 574 05</u>	<u>(32 000 00)</u>	<u>966 011 27</u>
Total	949 957 97	273 574 05	(32 000 00)	1 191 532 02
Accumulated Depreciation	<u>(309 503 39)</u>	<u>(71 512 84)</u>	<u>32 000 00</u>	<u>(349 016 23)</u>
Net Capital Assets	<u>640 454 58</u>	<u>202 061 21</u>	<u>-</u>	<u>842 515 79</u>

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Interfund Receivables and Payables**

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 723 74</u>	Current Tax Collection	<u>1 723 74</u>

**Note 9 – Transfers In and Transfers Out**

For the fiscal year ended June 30, 2008, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
First Responder	60 000 00	Ambulance	60 000 00
General	14 000 00	Building	14 000 00
Fire	<u>68 500 00</u>	General	<u>68 500 00</u>
Total	<u>142 500 00</u>	Total	<u>142 500 00</u>

**Note 10 – Building Permits**

As of June 30, 2008, the Township had building permit revenues of \$39,034.00 and building permit expenses of \$31,425.60.

TOWNSHIP OF GANGES  
Allegan County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	84 047 00	84 047 00	86 781 40	2 734 40
Licenses and permits	7 000 00	7 000 00	9 730 00	2 730 00
State revenue sharing	170 000 00	170 000 00	176 910 30	6 910 30
Charges for services	4 000 00	4 000 00	12 167 50	8 167 50
Interest	12 000 00	12 000 00	31 633 44	19 633 44
Miscellaneous	6 360 00	6 360 00	3 349 72	(3 010 28)
<b>Total revenues</b>	<b>283 407 00</b>	<b>283 407 00</b>	<b>320 572 36</b>	<b>37 165 36</b>
<b>Expenditures:</b>				
Legislative:				
Township Board	48 000 00	55 500 00	51 435 36	(4 064 64)
General government:				
Supervisor	19 800 00	19 800 00	18 321 64	(1 478 36)
Elections	8 000 00	8 000 00	2 547 10	(5 452 90)
Assessor	25 200 00	26 200 00	25 590 00	(610 00)
Clerk	27 800 00	27 800 00	27 106 58	(693 42)
Board of Review	3 500 00	3 500 00	2 224 44	(1 275 56)
Treasurer	27 600 00	27 600 00	23 960 76	(3 639 24)
Building and grounds	30 000 00	30 000 00	10 138 17	(19 861 83)
Cemetery	29 000 00	32 100 00	17 411 27	(14 688 73)
Public safety:				
Protective inspection	10 000 00	10 000 00	3 365 00	(6 635 00)
Planning and zoning	82 600 00	83 600 00	50 150 79	(33 449 21)
Public works:				
Highways and streets	600 00	600 00	393 05	(206 95)
Drains at large	5 000 00	5 000 00	-	(5 000 00)
Sanitation	4 000 00	4 000 00	2 114 23	(1 885 77)
Culture and recreation:				
Parks	1 000 00	1 000 00	119 38	(880 62)
Other:				
Insurance	25 000 00	26 400 00	26 377 00	(23 00)
Payroll taxes	10 000 00	10 000 00	7 552 12	(2 447 88)
Contingency	150 000 00	122 500 00	-	(122 500 00)
Capital outlay	10 000 00	10 000 00	-	(10 000 00)
<b>Total expenditures</b>	<b>517 100 00</b>	<b>503 600 00</b>	<b>268 806 89</b>	<b>(234 793 11)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(233 693 00)</b>	<b>(220 193 00)</b>	<b>51 765 47</b>	<b>271 958 47</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	14 000 00	14 000 00	14 000 00	-
Operating transfers out	(55 000 00)	(55 000 00)	(68 500 00)	(13 500 00)
<b>Total other financing sources (uses)</b>	<b>(41 000 00)</b>	<b>(41 000 00)</b>	<b>(54 500 00)</b>	<b>(13 500 00)</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>(274 693 00)</b>	<b>(261 193 00)</b>	<b>(2 734 53)</b>	<b>258 458 47</b>
<b>Fund balance, July 1</b>	<b>274 693 00</b>	<b>261 193 00</b>	<b>488 288 63</b>	<b>227 095 63</b>
<b>Fund Balance, June 30</b>	<b>-</b>	<b>-</b>	<b>485 554 10</b>	<b>485 554 10</b>

TOWNSHIP OF GANGES  
Allegan County, Michigan

**BUDGETARY COMPARISON SCHEDULE – ROADS FUND**  
Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>5 000 00</u>	<u>5 000 00</u>	<u>6 751 50</u>	<u>1 751 50</u>
Total revenues	<u>5 000 00</u>	<u>5 000 00</u>	<u>6 751 50</u>	<u>1 751 50</u>
Expenditures:				
Public works:				
Highways and streets	<u>272 453 00</u>	<u>272 453 00</u>	<u>160 577 01</u>	<u>(111 875 99)</u>
Total expenditures	<u>272 453 00</u>	<u>272 453 00</u>	<u>160 577 01</u>	<u>(111 875 99)</u>
Excess (deficiency) of revenues over expenditures	(267 453 00)	(267 453 00)	(153 825 51)	113 627 49
Fund balance, July 1	<u>280 893 00</u>	<u>280 893 00</u>	<u>281 944 10</u>	<u>1 051 10</u>
Fund Balance, June 30	<u>13 440 00</u>	<u>13 440 00</u>	<u>128 118 59</u>	<u>114 678 59</u>



TOWNSHIP OF GANGES  
Allegan County, Michigan

**BUDGETARY COMPARISON SCHEDULE – FIRE FUND**  
Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	114 114 00	114 114 00	114 347 37	233 37
Interest	5 000 00	5 000 00	2 490 33	(2 509 67)
Miscellaneous	-	-	3 911 99	3 911 99
Total revenues	<u>119 114 00</u>	<u>119 114 00</u>	<u>120 749 69</u>	<u>1 635 69</u>
Expenditures:				
Public safety:				
Fire	85 200 00	85 200 00	84 555 76	(644 24)
Capital outlay	<u>279 000 00</u>	<u>279 000 00</u>	<u>268 700 00</u>	<u>(10 300 00)</u>
Total expenditures	<u>364 200 00</u>	<u>364 200 00</u>	<u>353 255 76</u>	<u>(10 944 24)</u>
Excess (deficiency) of revenues over expenditures	<u>(245 086 00)</u>	<u>(245 086 00)</u>	<u>(232 506 07)</u>	<u>12 579 93</u>
Other financing sources (uses):				
Operating transfers in	85 000 00	85 000 00	68 500 00	(16 500 00)
Total other financing sources (uses)	<u>85 000 00</u>	<u>85 000 00</u>	<u>68 500 00</u>	<u>(16 500 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(160 086 00)</u>	<u>(160 086 00)</u>	<u>(164 006 07)</u>	<u>(3 920 07)</u>
Fund balance, July 1	<u>160 086 00</u>	<u>160 086 00</u>	<u>240 379 21</u>	<u>80 293 21</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>76 373 14</u>	<u>76 373 14</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Township Board:	
Salaries	9 265 00
Supplies	7 670 45
Professional services	3 683 75
Audit	3 000 00
Legal	19 468 71
Transportation	154 73
Printing and publishing	3 794 69
Dues	2 771 23
Miscellaneous	1 626 80
	<hr/> 51 435 36
Supervisor:	
Salary	18 000 00
Supplies	50 86
Communication	60 29
Transportation	210 49
	<hr/> 18 321 64
Elections:	
Salaries	1 575 00
Professional services	126 50
Travel	169 76
Supplies	528 59
Printing and publishing	147 25
	<hr/> 2 547 10
Assessor:	
Contracted services	<hr/> 25 590 00
Clerk:	
Salary	26 000 00
Deputy	400 00
Supplies	412 53
Transportation	261 42
Communication	32 63
	<hr/> 27 106 58
Board of Review:	
Salaries	1 695 00
Miscellaneous	529 44
	<hr/> 2 224 44
Treasurer:	
Salary	19 800 00
Deputy	1 000 00
Supplies	2 441 27
Transportation	699 49
Communication	20 00
	<hr/> 23 960 76
Building and grounds:	
Supplies	2 557 92
Contracted services	2 017 46
Utilities	4 203 07
Communication	1 279 73
Miscellaneous	79 99
	<hr/> 10 138 17

TOWNSHIP OF GANGES  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Cemetery:	
Salary	3 955 00
Supplies	32 42
Contracted services	4 055 00
Repairs and maintenance	2 400 00
Professional services	5 372 88
Miscellaneous	1 595 97
	<u>17 411 27</u>
Protective inspection	<u>3 365 00</u>
Planning and zoning:	
Planning Commission:	
Salaries	16 445 00
Supplies	596 04
Contracted services	28 755 28
Printing and publishing	2 869 49
Education	739 98
Legal	745 00
	<u>50 150 79</u>
Highways and streets	<u>393 05</u>
Sanitation	<u>2 114 23</u>
Parks:	
Miscellaneous	<u>119 38</u>
Insurance	<u>26 377 00</u>
Payroll taxes	<u>7 552 12</u>
Total Expenditures	<u>268 806 89</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	<u>Ambulance</u>	<u>First Responder</u>	<u>Building</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	<u>46 421 08</u>	<u>62 886 14</u>	<u>35 608 51</u>	<u>144 915 73</u>
Total Assets	<u>46 421 08</u>	<u>62 886 14</u>	<u>35 608 51</u>	<u>144 915 73</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>46 421 08</u>	<u>62 886 14</u>	<u>35 608 51</u>	<u>144 915 73</u>
Total Liabilities and Fund Balances	<u>46 421 08</u>	<u>62 886 14</u>	<u>35 608 51</u>	<u>144 915 73</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS  
Year ended June 30, 2008

	<u>Ambulance</u>	<u>First Responder</u>	<u>Building</u>	<u>Total</u>
Revenues:				
Property taxes	45 721 99	-	-	45 721 99
Licenses and permits	-	-	39 034 00	39 034 00
Interest	2 314 68	1 288 83	1 530 71	5 134 22
Miscellaneous	-	90 00	-	90 00
Total revenues	<u>48 036 67</u>	<u>1 378 83</u>	<u>40 564 71</u>	<u>89 980 21</u>
Expenditures:				
Public safety:				
Ambulance:				
Contracted services	10 611 84	-	-	10 611 84
First Responder:				
Wages	-	23 907 00	-	23 907 00
Payroll taxes	-	1 828 88	-	1 828 88
Supplies	-	6 476 65	-	6 476 65
Utilities	-	980 37	-	980 37
Miscellaneous	-	257 45	-	257 45
Education	-	2 189 80	-	2 189 80
Protective inspection:				
Wages	-	-	11 307 00	11 307 00
Payroll taxes	-	-	864 99	864 99
Contracted services	-	-	18 079 00	18 079 00
Supplies	-	-	275 65	275 65
Telephone	-	-	180 12	180 12
Miscellaneous	-	-	718 84	718 84
Capital outlay	-	4 874 05	-	4 874 05
Total expenditures	<u>10 611 84</u>	<u>40 514 20</u>	<u>31 425 60</u>	<u>82 551 64</u>
Excess (deficiency) of revenues over expenditures	<u>37 424 83</u>	<u>(39 135 37)</u>	<u>9 139 11</u>	<u>7 428 57</u>
Other financing sources (uses):				
Operating transfers in	-	60 000 00	-	60 000 00
Operating transfers out	(60 000 00)	-	(14 000 00)	(74 000 00)
Total other financing sources (uses)	<u>(60 000 00)</u>	<u>60 000 00</u>	<u>(14 000 00)</u>	<u>(14 000 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(22 575 17)	20 864 63	(4 860 89)	(6 571 43)
Fund balances, July 1	<u>68 996 25</u>	<u>42 021 51</u>	<u>40 469 40</u>	<u>151 487 16</u>
Fund Balances, June 30	<u>46 421 08</u>	<u>62 886 14</u>	<u>35 608 51</u>	<u>144 915 73</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2008

	<u>Balance</u> <u>7/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/08</u>
<b><u>Assets</u></b>				
Cash in Bank	<u>1 536 03</u>	<u>4 505 726 43</u>	<u>4 505 538 72</u>	<u>1 723 74</u>
<b><u>Liabilities</u></b>				
Due to other funds	1 536 03	111 173 93	110 986 22	1 723 74
Due to others	<u>-</u>	<u>4 394 552 50</u>	<u>4 394 552 50</u>	<u>-</u>
Total Liabilities	<u>1 536 03</u>	<u>4 505 726 43</u>	<u>4 505 538 72</u>	<u>1 723 74</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

August 18, 2008

To the Township Board  
Township of Ganges  
Allegan County, Michigan

We have audited the financial statements of the Township of Ganges for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Ganges in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Ganges  
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants